

Board of Commissioners

Chair Ed Wolfe
Vice Chair Rob Putaansuu
Becky Erickson
Charlotte Garrido
Danielle Murphy
Robert Gelder
Val Tollefson

Executive Director
Stuart Grogan



345 6th Street Suite 100
Bremerton, WA 98337-1891

Phone (360) 535.6100
Fax (360) 535.6107
TDD (360) 535.6106

<http://www.housingkitsap.org>

**HOUSING KITSAP BOARD OF COMMISSIONERS
FEBRUARY 3, 2017
MINUTES**

Board in Attendance: Kitsap County Commissioner Ed Wolfe (Chair), Mayor of City of Port Orchard Rob Putaansuu (Vice Chair), Kitsap County Commissioner Charlotte Garrido, Mayor of City of Poulsbo Becky Erickson, Kitsap County Commissioner Robert Gelder, Resident Commissioner Danielle Murphy, City of Bainbridge Island Council Member Val Tollefson.

Attending Staff: Executive Director Stuart Grogan, Chief Financial Officer Wendy Dutenhoeffer, Project Manager of Affordable Housing Mike Brown, Single Family Director Dean Nail, Administrative Support Assistant Tara Owensby, REMHP Director Holly Paterson, Assistant Director of Finance Kim Seibold.

Guests: Kitsap County Treasurer Meredith Green

1. Called to Order

Chair Wolfe called the meeting to order at 9:07 AM.

2. Public Comment

No public attended.

3. Consent Agenda

Chair Wolfe moved to approve the Consent Agenda. Commissioner Gelder seconded. Motion carried unanimously.

4. Board Announcements

Commissioner Murphy reported that The Kitsap Community Resources Head Start office on Bainbridge Island office is scheduled to close and requested that if anyone had information of a possible space for rent that would be a good future location in Kitsap County, to please send the information or suggestions her way.

Vice Chair Putaansuu reported the Port Orchard Homeless Housing Committee met and are continuing to coordinate services. They are still looking for a way to provide hotel vouchers to first responders in Port Orchard.

Commissioner Erickson reported that the Poulsbo Housing Group meets monthly and are currently working to launch a social service initiative on March 1, 2017 for the entire City Council in order to establish a City Council Committee, everything from housing to social services.

Commissioner Garrido reported that the Homeless Housing Committee is made up of about 50 organizations throughout Kitsap County who regularly meet. Their main focus has been a lead on obtaining tiny housing but recently learned that the tiny houses were given to another community and are no longer an option for Kitsap County. They are reconfiguring to see how they can have tiny houses built in Kitsap County.

5. Committee Reports

A. Work Study meeting

Stuart reported that the Levingston lawsuit was not accepted for review by the Supreme Court therefore has come to an end.

Holly reported that there was a complaint from a resident on Bainbridge who overheard two women talking at a restaurant about a tenant at Finch Place apartments who was subletting her apartment. Holly stated that her staff is investigating the situation and will address any problems as needed.

Holly reported a complaint at Heritage accusing HK of unfairly charging her for damages. Holly reported that she has looked into the situation and found that the charges that were assessed were correct.

Holly provided an update regarding the ongoing issue at the Rhododendron Apartments.

6. Action Items

A. Consideration of a motion authorizing the expenditure of additional funds for a Site Plan application for the Olhava development.

Mike provided handouts for review. He reported that at the last Board meeting staff requested funds for the architect and the market study. Now we would like to request the submittal fee for the application to the City. Staff requests authorization to spend \$772.00 on the application submittal fee.

Action: Commissioner Erickson moved to authorize the expenditure of additional funds for a Site Plan application for the Olhava development. Commissioner Garrido seconded. Motion carried unanimously.

B. Consideration of Resolution 2017-02 authorizing the Executive Director to execute a Purchase and Sale Agreement between Housing Kitsap and Community Frameworks for the purchase of 27 lots at Maple Lane.

Dean introduced Linda Hugo from Community Frameworks (CF) and provided a financial spreadsheet and photos of the property for review. Dean provided an overview of the financial spreadsheet. Dean reported that this project was funded with new SHOP funds and explained the process of the grant funds. Dean stated that the original lot sale price was \$55K per lot. Unfortunately, by the end of the project, he noted, the lots will have gone up to roughly \$86K per lot in costs. This was primarily due to poor budgeting that lead to unexpected project cost overruns with the original developer. Community Frameworks requested that HK take a more

active role in their project. If we buy the lots, HK will be able to sell the lots at maximum of \$75K; a loss of roughly \$11K per lot. Commissioner Garrido suggested for staff to take notes of the lessons learned from this project and use them as a reference tool for future projects. Chair Wolfe mentioned that if there are issues moving forward to inform the Board as soon as possible.

Dean requested approval to execute a Purchase and Sale Agreement between HK and CF not to exceed \$1.95 million. Linda Hugo mentioned that the way the offer is structured; it may need to include the initial \$405K. That money will then just be transferred to HK. It is currently is CF's money, will be granted to HK and stay in the land. So, the final number will need to be the total amount of the SHOP grant. Linda said this accounting will be necessary because of the way the money is structured with the federal government. Dean said the number currently is \$2.3 million and currently, it is actually a little over that amount with the projected costs to finish. Dean requested a small buffer so that the total amount in the resolution should be a not to exceed of \$2.4 million.

Commissioner Erickson thanked CF for being such a great partner, being understanding, and working with HK through some bumps. Linda Hugo also thanked HK for being their top producer for many years and doing things right. She said the combination of CF and HK working through this project was good for the program to preserve the ability for the money to go back into the program and stay in the community.

Linda mentioned that CF's normal process was to approve a forgivable, revolving loan until the units are built and occupied and in compliance. Then the restrictions on the funds are removed in part; 1/3 goes to the partner and rest is restricted for ten years to be used in other projects. However, in HK's next project, and because of all difficulties CF has had with this project, it decided it will remove all the restrictions on the fund and make it all unrestricted once the compliance benchmark is met. CF decided they would do that for HK's next project, Prosperity Place. Linda said it won't make up for what was lost, but it will help.

Action: Commissioner Gelder Motioned to approve Resolution 2017-02 authorizing the Executive Director to execute a Purchase and Sale Agreement between Housing Kitsap and Community Frameworks for the purchase of 27 lots at Maple Lane for an amount not to exceed \$2.4 Million. Commissioner Erickson seconded. Motion carried unanimously.

C. Consideration of Resolution 2017 – 03 authorizing the Executive Director to approve an application for Self Help Homeownership Program (SHOP) funds for acquisition cost reimbursement from Lola Meadows.

Dean reported that this is a property that HK already owns and families are currently under construction. At the time of purchase, SHOP funds were not available. HK would like authorization for apply for newly available SHOP funds.

Action: Commissioner Gelder moved to authorize the Executive Director to approve an application for Self Help Homeownership Program (SHOP) funds for acquisition cost reimbursement from Lola Meadows. Commissioner Erickson Seconded. Motion carried unanimously.

D. Consideration of Resolution 2017- 04 authorizing the Executive Director to execute an amendment to the current Purchase and Sale Agreement that increases the purchase price for lots in the Prosperity Place subdivision.

Dean reported that this is another project that has taken a lot longer than he would have hoped. The Purchase and Sale Agreement (PSA) has been extended a few times since 2014. The developer requested that HK help him cover almost \$400K in cost overruns. Dean discussed with legal counsel and determined that the contract would allow him to hold the price. Dean said he was able to negotiate, in order to assure progress and maintain the partnership, an increase of only \$205K to preserve the land and 36 more units for the Self Help Program. That amounts to splitting the cost. HK will end up paying about \$65K per lot. Production is scheduled to start in June of 2017.

Wendy informed the Board that there is a very tight timeframe on timing and funds coming in to the program. She warned that if there are any delays on any of the projects coming in, it could mean that HK would have to fund up to \$800K from the general fund, about 36% of the HK reserves. She added that two Acquisition Rehab homes are to be sold soon and One Maple needs to be sold to offset this issue. In the worst case scenario, she noted that HK would lean on reserves for about 3 months. Dean mentioned that we have contracts on the two ac/rehab units and nine families in process, and a few back ups, for One Maple. He agreed that while timing is tight, he projects that we won't need HK to cover. Commissioner Erickson requested staff to be very clear with reporting on this project moving forward.

Dean reported that HK's new SHOP grant was approved which provides for 24 months of funding with USDA for the site supervisors and project management.

Action: Commissioner Garrido moved to authorize Resolution 2017-04 authorizing the Executive Director to execute an amendment to the current Purchase and Sale Agreement that increases the purchase for lots in the Prosperity Place subdivision. Commissioner Gelder seconded. Motion carried unanimously.

E. Update and next steps regarding HK's relocation to new office space.

Stuart reported that HK doesn't want to lose momentum with the City of Bremerton (CoB) regarding a PSA for the sale of the Norm Dicks Government Center (NDGC). Stuart referred to page 52 in the packet of the many researched office space options for HK and reported that staff believes the John L. Scott building for sale in Silverdale is the best fit for HK.

Stuart mentioned that based on HK's current operating costs, HK can afford to pay rent of about \$13 per sq. ft. If HK were to lease, HK would not be able to afford rent in most of the local markets for acceptable space. If we did pay a much lower rate, the staff anticipates that we would likely have to spend a lot of money on tenant improvements. Staff recommends that HK buy, not rent, new office space. Stuart reported that HK spends about \$100K per year to be in the NDGC and if HK were to move, the cost would potentially decrease if HK were to reside elsewhere.

Chair Wolfe asked if HK purchased today, is part of the arrangement paying down the county debt. Stuart said the discussions the Board had previously were the \$2 million sales proceeds

would be available for HK to buy new office space and any balance would be available for improvements of the space purchased.

Chair Wolfe mentioned that the County asked the other jurisdictions to help with funding the CLA payments for HK. Commissioner Erickson suggested that HK needs to move out of the NDGC and then work on finding a sustainable funding source. She mentioned that there is a sustainable funding source that HK could have right now. She noted that it had been decided in the past to combine the recording fees from the State of Washington with the CDBG process. But the law allows that those funds could go to HK and that could help retire the debt HK has with the County. The Board agreed this was a longer discussion to be taken up again later.

Action: Commissioner Erickson moved to authorize Housing Kitsap to enter into a Purchase and Sale Agreement to purchase the John L. Scott Building. Commissioner Murphy seconded. Motion carried unanimously.

F. Letter in support of proposed Senate Bill 5364 regarding fire benefit charges.

Stuart requested support from the Board regarding the proposed Senate Bill 5364 regarding fire benefit charges.

Action: Commissioner Tollefson moved to approve Stuart to send a letter in support of proposed Senate Bill 5364 regarding fire benefit charges. Vice Chair Putaansuu seconded. Motion carried unanimously.

7. Executive Session

Chair Wolfe adjourned the meeting into Executive Session to consider a personnel matter (RCW 42.30.110 (1)(g)) at 10:50 am. At approximately 11:00 am, Chair Wolfe adjourned the Executive Session stating that he would provide feedback and goals to the Executive Director for the year. He then returned to the regular meeting.

8. Adjourn

With no further business, Chair Wolfe adjourned the meeting at approximately 11:01 am.

ATTEST:




STUART GROGAN
Executive Director

ATTEST:



TARA OWENSBY
Administrative Support Assistant



Date Approved